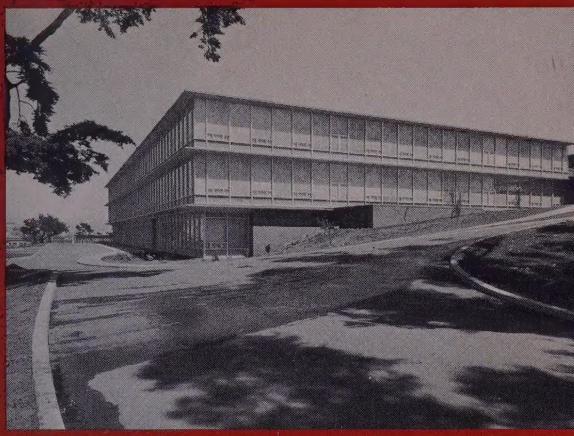


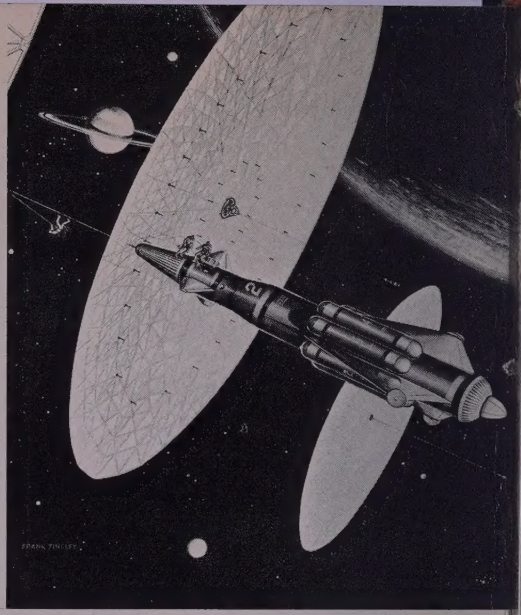
AT SAN FRANCISCO HEADQUARTERS JIM CRAFTS WRITES FIREMAN'S FUND POLICY (see page 20)

nuary 20, 1960

Investor's Reader

For a better understanding of business news

SPACE SAIL



Astronauts, explorers and other adventure-minded souls may some day travel through outer space by means of solar windships as pictured here by space artist Frank Tinsley for space electronician American Bosch Arma Corp. The kite-like windships are the imaginative figment of professor Theodore P Cotter of the Los Alamos Atomic Research Lab, a sailing enthusiast who conceives eventual fuel-less journeys through the solar system. The ships would be propelled by "trade winds"—the sun's expanding flood of radiation—which in the friction-free, weightless vacuum of space can provide enough push to speed explorers rapidly on their way.

Of course should solar windships ever become a reality, American Bosch hopes to build the navigation systems for them. Until then it contents itself with a score of more immediate space jobs. Through its Arma division the $64,000,000-assets company makes the inertial guidance systems and other navigational equipment for the Atlas ICBM (it won an additional $53,350,000 contract in September), fire control systems for nuclear subs, tail defense systems for the B-52.

More mundane work is done by the American Bosch division which turns out a host of mechanical and electrical do-dads for industrial, automotive and jet engines. One item: a fuel injection system for an engine capable of burning a variety of different fuels. Other items: small motors, windshield wipers, generators and regulators and carburetion equipment for gas engines.

All told American Bosch Arma products brought in $90,140,000 worth of business in the nine months ended September, 13% more than in the same 1958 period. Earnings climbed at nearly twice that rate to $1.57 a share from $1.26. In the last quarter, though its own steel inventories held up well, American Bosch felt the effects of severe order cutbacks from steel-hungry customers. Full-year earnings are consequently estimated only around $2 a share as against the $2.50 (including a 37¢ special credit) earned in 1958.

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Investor's Reader

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BUSINESS AT WORK

NATIONAL ECONOMY
R&D in Ball-istics

THESE DAYS not only the Space Age companies suffer heavy research and development expenses. Newly promoted president Lee MacPhail of the Baltimore Orioles last week revealed the American League baseball club incurred a net operating loss of $54,000 for the 1959 season. The reason: the sixth-place team spent almost $1,000,000 on a program to sponsor minor league farm teams and pay bonuses to promising young players.

WALL STREET
The Last Meal

AN ERA on Wall Street came to an end recently when the New York Society of Security Analysts ate their last lunch at Schwartz's restaurant. The obsequies were dignified and brief. Chief mourner was guest speaker Fred Elmore Brown, president of Tri-Continental Corp. Himself a member of the Society, he pronounced these solemn words of farewell: "I want you to know that I have a gnawing feeling of nostalgia today and it's not because of the food."

The last day at Schwartz's was the first talk to the Security Analysts by Fred Brown who was named president of Tri-Continental early in 1959. At 46, Oklahoma University-educated Fred Brown has been with the nation's largest ($415,000,000-assets) closed-end investment company most of his working life, is a veteran of many a luncheon session at the Security Analysts while considering stocks for Tri-Con's portfolio. With him on the rostrum was board chairman Francis F Randolph, his predecessor as president and a founder of Tri-Con.

Born in 1929, Tri-Continental is a veteran of some of the worst and best times in financial history. Fred Brown explained its basic role: as a

closed-end investment company, it has the task of choosing securities which will give owners of its stock both good income and a reasonable chance of capital appreciation. As a "fully managed" company, it is free to decide what proportion of bonds and preferreds it may hold but its professed principal aim is to be a common stock fund.

Fred Brown told his perceptive audience senior securities have now been reduced to 12.7% of holdings from a high of 29% early in 1957. "In the latter period, we bought drug, food, food chain and electric utility stocks and we achieved better than average results." Currently utilities constitute 19% of the Tri-Con portfolio, electrical equipment and electronics stocks 10.6% and steels 9.3%. Oils, a big (15.7%) holding three years earlier, are down to 8.7%.

While Tri-Con has investments in 160 different securities, it has concentrated almost one-fourth of its assets in its ten largest holdings, led by Minneapolis-Honeywell. The company thus has an eye on growth and maintains a balance between diversification and concentration.

The year 1959 Fred Brown labeled "disappointing." While the Dow-Jones industrial average climbed 16.4%, Tri-Continental's net asset value a share rose only about one-fourth as far. "The last year has been a difficult one for trained investment management, accustomed to thinking of longer-term gains. Perhaps we did not have our space boots adjusted properly. But we felt there was a limit to the risks we could take with our stockholders' investment." He feels "our portfolio is well constituted."

For 1960 Fred Brown sees "a prosperous year with new highs in many economic and business indices. Stock prices look high and vulnerable to adverse economic, business and political developments. However, I have no doubt when the year is done there will have been many investment opportunities."

Tri-Continental's 7,159,000 shares trade on the Big Board around 38. This is a 22% discount from the asset value of $49.69 a share. "Thus a person investing $100 in Tri-Continental is hiring $128 of securities to earn income for him," points out Fred Brown.

Discounts are common to many investment companies but one reason Tri-Con's may often be deeper than most is the presence of common stock warrants in Tri-Con's capital structure. There are still 921,000 warrants outstanding, each convertible into 1.27 shares on payment of $17.76. But this is down from a peak of 3,271,000 warrants in December 1954. The warrants have always acted as a diluting threat to the common; if all were exercised immediately, net asset value would dip to $45.21 a share. This has tended to make dividend improvement look slow. The 1959 dividend payment of $1.47 from investment income was the same as in 1958.

President Brown now says "we expect the rest of the warrants to be exercised slowly at most." The volatile warrants themselves have an active following, trade around 27

on the American Stock Exchange.

Tri-Con's common boasts 30,000 stockholders, including holdings of some 400,000 shares by English and Scottish investors. Moreover, the well-diversified company is a consistent favorite among Monthly Investment Plan investors, currently ranks fifth in the number of active MIP plans.

UTILITIES

Epicurism Regained

THE DAY after closed-end investor Tri-Continental Corp closed the door on the old Analysts' sanctum (see above), the light was flicked on in the room atop the Coachman restaurant at 15 William Street. Some 300 eager security analysts and associates crowded in, partly to hear about the fate of the utility industry in 1960 and partly to find out if a luncheon meeting of their Society—newly ensconced in its own quarters—could occur without the need for Pepto-Bismol (Big Board-listed Norwich Pharmacal).

The results on both counts were rated good. After a hearty lunch of London broil (at slightly advanced prices) in the bright, beige-toned dining room, Allen S King, president of trade group Edison Electric Institute (his full-time job is head of Northern States Power Company), outlined his views on the growth of electric power in the US. Some highlights:

- The electric power industry is a "basic growth industry." In 1959 output increased to a new high of 707 billion kwh, 10% over 1958. For 1960 the Institute predicts 761 billion kwh with revenues about $9.8 billion or 8% ahead of last year.
- Institute studies indicate industry volume will be in the 6-to-10 trillion kwh range by the year 2000—a tenfold increase in four decades.
- Bolstering these mammoth figures will be powerful advances in technology. Cost-conscious executive King particularly hailed the early prospect of "automatic operation of entire electric plants through the use of electronic computers."
- He noted the increasing experience in atomic power generation with three A-plants scheduled to go into operation this year bringing total A-fuel capacity to 490,000 kw; also the recent announcement of a successful experimental device using the principle of magnetohydrodynamics for the production of electricity (IR, December 9). Though practical utilization of these "breakthrough concepts" may be years or decades away, they promise to speed up the industry's constant drive toward greater operating efficiency.

OFFICE EQUIPMENT

IBM Item

THE NEW YEAR'S barrage of corporate forecasts is pretty much standard copy for major newspapers and magazines during the first week in January. Despite this coverage however Connecticut's small (circulation 9,700) daily *Greenwich Time* was able to score a special scoop: the news and views of 43 top business leaders—all of whom happen to be residents of the well-heeled Fairfield County suburb.

Included in the group is Interna-

tional Business Machines president Thomas J Watson Jr who tabulated for business in general: "I feel confident * * * 1960 will be a good year for business. There are many favorable signs. Business inventories are low in relation to sales not only in the steel-related industries but in many lines and the re-building of inventories should provide a real lift to business sales. Plant and equipment expenditures are coming out of their doldrums with substantial improvement indicated over the next twelve months. Consumer confidence seems to be continuing at a high level. Because of these factors I expect the major economic indicators such as employment, Gross National Product and industrial production to reach new high records in the coming year."

As for office equippers in particular, industry leader Watson added: "In my own industry, the prospects are also very favorable. During the last year new orders for office equipment rose about 20% to complete our recovery from the set-backs of the recent recession. Several new products were introduced to help handle the ever-increasing volume of paper work and to provide better management control. They received good acceptance. These and new developments this year should give a strong lift to sales."

In 1959 IBM proved an outstanding example of the profile drawn by its chief executive. Specifically, the order backlog for computer systems was running at 16-to-18 months *v* 14 months last April and the increase in backlog was achieved even though "we've increased production a bit."

As far as operating results went the computer king continued to proc ess new records. Nine-month gross mounted to $941,000,000 from $866,000,000 in the 1958 period while earnings advanced to $5.57 a share from $5.02 (adjusted for a 3-for-2 stock split in April). The increase was tempered somewhat from IBM's usual 25% a year growth rate but the 1958 figures included $14,000,000 of non-recurring net from outright sale of previously leased machines.

For the full year Wall Streeters figure gross came close to $1.3 billion with earnings around $8 a share against $6.93 in 1958. During the year dividends were upped twice 15% at the time of the split to give a quarterly rate of 50¢ on the new shares, then 20% in October to the current 60¢ payment. However at the current price of 440 (which is roughly 55 times 1959 earnings) the yield is still a slim growth-stock styled half of 1%.

In the new products department IBM in 1959 brought out numerous significant entries. Among them:

- The fully transistorized IBM 7090 system—"the most powerful data processing system to be marketed commercially by the company." Primarily a scientific computer, the 7090 boasts computing speeds up to five times faster than its predecessor, the 709.
- The Series 1200—IBM's version of the ABA-specified bank automation system for handling checks via direct sensing of magnetic characters. The high-speed sorter-reader

Tom Watson enters multi-million reservation for "CR"

can sort checks and deposit slips at the rate of 900 a minute, read the data directly into an IBM computer for processing.

● An electronic fact gathering system, the 357, to give plant management close control over manufacturing operations. Employes flash reports on work in progress by inserting pre-punched cards into input stations serving their job location; this data is reproduced on a directly linked output unit to feed up-to-the-minute information on work progress to data processing machines.

● The 9090 system which was developed under the code name SABRE as a high-speed electronic reservations system for American Airlines. As proudly exhibited by American's C R Smith and IBM's Watson (see picture), SABRE "will gather volumes of information from hundreds of remote points, automatically process and store this information in a central computer and make the information available to all points in the network in a matter of seconds." Installation of the system which "is the largest electronic data processing system ever designed for business use" and which will be able to handle more than 7,500 complete airline reservations an hour will begin late next year and by 1962 most cities served by American will be linked to the computing center.

● An all-transistorized, medium-sized computer system, the 1401, which "puts electronic data processing at the disposal of smaller businesses previously limited to punched cards" gives IBM new market potential. The system utilizes cards, magnetic tape or both, can be used either independently or as auxiliary

equipment with the 700 or 7000 series brains.

One 1959 development which will no doubt continue this year is stiffened competition in the computer field from both old hands such as the Remington Rand division of Sperry Rand and Burroughs and relative newcomers such as electronics giants GE, Minneapolis-Honeywell and RCA. However Tom Watson says stoutly: "Every time competition has gotten keener in the past, the greater has been our growth." Equally confident, outsiders look for an increase of 20% or better in IBM 1960 results.

HOUSEHOLD EQUIPMENT
Wake-Up Automation

FOR THOSE STOLID citizens impervious to the get-up commands of alarm clock (with or without radio), spouse or room-mate, the $95,000,000-assets Simmons Company has a more energetic if not exactly inexpensive answer. Its "Adjust-A-Bed" will toss them out. Simmons itself, it must be said, describes its new automation-in-the-bedroom device more gently: just plug it into a clock-radio-timer and "at the appointed minute the bed will slowly but decisively lift the sleeper to a wide awake position" (see picture).

Introduced last Fall, the automatic Adjust-A-Bed lists for $299.50 (including special mattress). There is also a $190 manual version which of course lacks the non-human wake-up feature but a handy spring lever permits sit-up adjustments.

Meantime the company has just roused itself from a four-year profit slide and is expected to show the highest earnings since 1950 when civilian scare buying, military orders and more moderate taxes led to a net of $7.26 a share. In a bouncy recovery from the 1958 recession Simmons sales in the first nine months last year rose 13% to $103,000,000 while profits climbed 54% to $5,100,000 or $4.36 a share—better than the full 1958 total of $4.07. For all 1959 Wall Streeters figure on sales in the $130,000,000 area. Profits should top the $5.31 post-Korean high of 1955 with some estimates as high as $5.90 a share.

As a Christmas present, the company last month paid a 60¢ extra atop the regular 60¢ quarterly dividend to bring the full-year payout to $3, equal to 1957 and half a dollar better than 1958. With the 1,160,000 shares around 53 on the Big Board, the stock yields a comfortable 5.7%.

The famed maker of Beautyrests and Hide-A-Beds is not content to grow through bedding equipment alone and in 1957 entered the home furnishings business. Although its Living Room division has been operating in the red, treasurer John T Logan notes "we are just about at the break-even point now." The division makes "everything upholstered" (mainly sofas & chairs). Simmons estimates this industry has annual sales between $400-and-600,000,000. Moneyman Logan maintains "we expect to have a sizable part of this market within the next five years."

As for the European Common Market, John Logan says "we are studying it very closely but have

Simmons ends rest for beauty

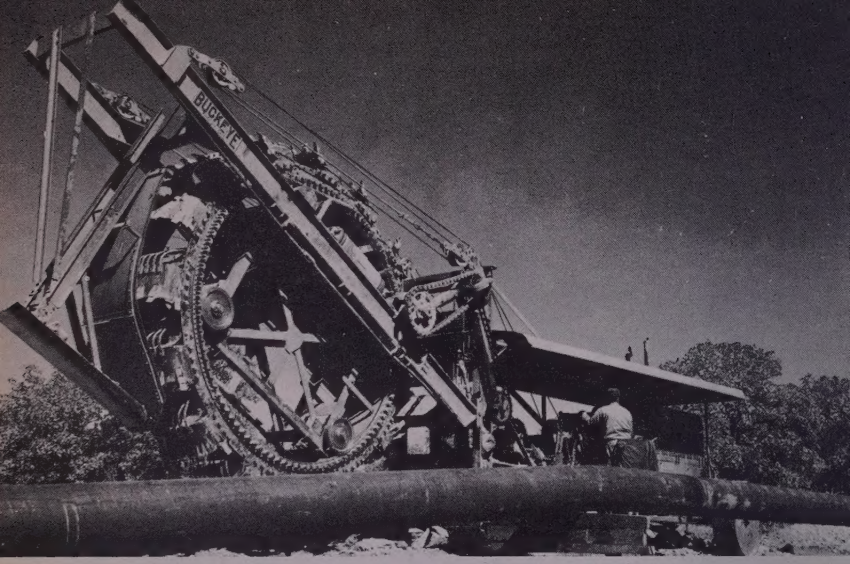
made no moves yet." However Simmons has a plant in Britain and others in Canada and Latin America. Simmons entered yet another continent in 1958 with the acquisition of John Lawler & Sons, the oldest and biggest bedding manufacturer in Australia. All told, about a tenth of Simmons business is abroad.

At home Simmons has made some big moves to bolster efficiency. In 1958 it opened a new mattress and upholstered goods factory in Munster, Ind. By the middle of this year the company plans to finish a 23-acre, $8-to-$10,000,000 addition there. The plant will manufacture metal goods for hospital, school and hotel beds, replaces the "uncompetitive, antiquated" facility at Kenosha, Wis. The switch is well-timed for just last week Simmons enlarged its hospital business; it bought Hausted Company of Medina, Ohio which makes a wheeled stretcher and other "patient handling equipment."

Most of Simmons' recent energy is attributed to the company's aggressive new management. The executive force is headed by 40-year-old Grant Gilbert Simmons Jr, the fourth generation president of the 89-year-old firm. He came to the company as a time-study clerk in 1945 after Yale and the US Navy, later served as director of labor relations and a vp. He succeeded his father as president in 1957.

NATURAL GAS
Lone Star Lights

THE EYES of $428,000,000 Lone Star Gas Company are on a service area covering 148,000 square miles of central and north central Texas and adjoining Oklahoma. Within this domain the natural gas utility operates 19,200 miles of



Ditching machine helps lay more Lone Star pipe

gathering, transmission and distributing pipelines—enough to encircle the globe at the latitude of New York, trading headquarters for the 6,363,000 Lone Star common shares. Last week the LSG stock sold for 39 on the Big Board, down eight points from its 1959 high, to yield a fairly fat 4.6% at the current $1.80 annual dividend.

The extent of this pipe network is even more impressive considering the company started off a half century ago as a 120-mile-long pipeline with only a scattering of customers. Eight years later Lone Star moved into Oklahoma.

Although the company now supplies natural gas to 35 Sooner State towns, the bulk of Lone Star revenues still comes from Texas where it serves over 420 communities. By far the most important are Dallas and Fort Worth whose bustling metropolitan district brings in nearly half the company's utility business.

Concentration in the Lone Star State is favorable for Lone Star as only a small part of its business comes under regulation of the Federal Power Commission; the rest is governed by the Texas Railroad Commission with its relatively more lenient view on rate of return (it can permit 8% *v* 6% for the FPC) and more important, on figuring the rate base.

Five of every six dollars collected by Lone Star come from gas service. About half of this business is residential, a fifth is industrial and a tenth commercial. Most of the remainder comes from sales to other pipelines and electric utilities. Lone Star continues to add more electric utilities to its gas customer list. The gas company began partial deliveries to Dallas Power & Light last Spring and president Lester Potter

allows "we will supply its total fuel requirements by 1961. We are also in the last stages of negotiation with another electric utility to furnish our gas for their fuel needs." He expects announcement of the deal will come early this year. Less than a fifth of Lone Star business comes from oil & gasoline sales and a small fraction of volume is in liquified petroleum gas.

Happily for Lone Star the Southwest continues to develop faster than many areas in the country and the company reflects this growth. From 1952 sales climbed 78% to the peak $112,500,000 metered in 1958. Profits for the most part have kept pace: they climbed 75% from 1952 to a record $14,900,000 or $2.32 a share in 1957. But they fell slightly to $14,800,000 or $2.24 a share in 1958. This profits slack was attributed to: 1) decreased oil sales (due to sharp Texas cutbacks in "allowable" producing days); 2) increased operating expenses. One major cost item: a 10% hike in the price of gas, a big expense bite as Lone Star buys over four-fifths of its gas requirements (the rest comes from its subsidiary Lone Star Producing Company).

In 1959 however the profit curve has resumed an upward trend. In the first nine months sales rose 11% to $92,200,000 and net income moved up 5% to $11,100,000 or $1.68 a share. For the full year Wall Streeters look for a new earnings record of about $2.40 a share.

Part of the improvement in the cost battle has come from rate increases. In mid-1958 the company was allowed to up industrial rates by $1,500,000 and starting last October Oklahoma residents had to pay $277,000 more for Lone Star gas. Biggest boost however is hoped for from a $7,500,000 increase for Texas customers which is still pending before the Texas Railroad Commission. Lester Potter expects a speedy decision. If Lone Star receives the go-ahead—and most observers think it will—the rate increase would work out to about 56¢ a share after taxes.

President Potter elaborates: "We made a very strong case. In fact we think it is one of the best arguments a utility has ever made. If approved we have to put the plan before the municipalities but that will be a relatively simple matter by then."

Production Progress. Like many other gas utilities Lone Star also ventures into prospecting for and producing its own oil and gas. So far Lone Star's lone subsidiary Lone Star Producing is still "somewhat of a disappointment on the financial sheet." However Lester Potter notes: "We started an accelerated growth program for the producing company in 1949. We feel results have been most satisfactory—its ever increasing gas and oil reserves will pay off in the future." Last year the subsidiary drilled 107 wells and came up with 52 gas and 28 oil wells. All in all it has a net working interest in over 880 wells which are about equally divided between gas and oil.

President Potter notes Lone Star "now has a little less than two-thirds interest" in the Chapel Hill field in

East Texas. It plans to acquire the entire reserve which will add about 80 billion cf of gas to total reserves under contract of 3.2 trillion cf.

But essentially Lone Star remains a gas utility and Lester Potter counts on his 827,000 gas customers for steady profit gains. Lone Star has many space heating accounts and both for increased consumption and better year-round demand distribution "we firmly believe gas air conditioning will be a very big factor in our picture. Business was very good last year in installation of large units; also, our customers bought 1,000 smaller air conditioners and our residential installations should rise 50% in 1960."

AVIATION

Small Craft Solos

IN SHARP CONTRAST to the low profits altitude currently flown by many of the big time aircraft companies (IR, July 8), the makers of small private aircraft have headed the other direction with some spectacular solos into the region of higher earnings. Each of the big three of little planes—Cessna, Beech and Piper—posted big gains in fiscal 1959 (which for all three ended in September) to make it by far the most successful year in their history.

Specifically, Cessna rolled up profits of $7,940,000 or $7.41 a share on sales of $106,000,000, half again as good as the $4.84 a share netted in 1958 on a $95,800,000 volume.

Beech scored profits of $3,970,000 or $4.74 a share *v* $4.03 earned in fiscal 1958 despite a 7% sales drop to $89,500,000. But most of the decline came in low-profit military work and Beech's business & commercial aircraft volume rose 18%.

Piper netted $2,780,000 or an even $3 on sales of $34,300,000 as against $2.36 a share on $27,000,000 sales in 1958.

Evidently the pleasant results were not unexpected as investors had been pushing the stocks to repeated highs since early last year. Last week Cessna shares were quoted at 95 on the Big Board, more than double the 1959-60 low; Piper at 50 was more than 2½ times its year's low while Beech had nosed up from 28 to 64.

The popularity of the small plane makers is due in large measure to the galloping gains in private flying. Once a luxury for the very rich, it has become a plaything for the middle class and a necessity for many businesses.

Together Cessna, Beech and Piper account for more than 90% of total light plane unit sales but they get competition from a number of other makers. In fourth place is Rockwell-Standard subsidiary Aero Design. Rockwell acquired Aero in 1958, is developing and broadening its product lines. While it is still way behind the top trio, "much is to be expected of it for the future." Another producer is privately owned Mooney Aircraft of Kerrville, Texas.

The heavier utility plane market is covered by Fairchild Engine which makes a corporate type version of its F-27 turboprop airliner and by Grumman which last year offered its small Gulfstream turboprop executive model. In the future competition will come from the Lockheed Jetstar

Home for supper via private Piper

cheduled for delivery early next ear and McDonnell's Model 119.

Although all the little three are opularly known for their small lane work, only Piper concentrates xclusively on this market. Both essna and Beech have a substantial mount of other business. Cessna oes subcontract work on the Boeing -52G, Lockheed's T-33. It is one of he prize cost-cutting subcontractors n the Republic F-105 Thunderchief see page 17). In November it won design competition to make the ontainer portion of the transporter-rector as well as the first stage en-ine container for the Boeing Min-teman.

Through its Industrial Products ivision Cessna also makes a line of ydraulic pumps, valves and cylin-lers for farm machinery and light ndustrial equipment. In addition ircraft Radio Corp which was ac-uired last February makes a vari-ty of electronic communications, avigation and radar equipment.

Beech is a subcontractor for Mc-Donnell's F-101 Voodoo, Lockheed's F-104 Starfighter, Convair's F-106 Delta Dart, B-58 Hustler bomber and 880 commercial jet transport as well as Republic's F-105. Both Beech and Cessna also operate their own subsidiaries to help dealers and customers finance their small plane purchases.

All three of the small plane leaders have budgeted big gains in the small plane business in 1960 and ahead. According to Piper president William T Piper, "general aviation is going to continue a steady healthy growth as more companies learn the value of air transportation in smaller planes * * * We confidently expect to further improve our sales in 1960 and are looking forward to the best year in the company's history." Cessna president Dwane L Wallace expects his company will score "more than a 100% increase in sales of commercial aircraft over the next five years" while Beech president Olive Ann Beech notes "we started another big year with our greatest dollar backlog of firm orders for business planes."

MILLION DO

Of all the issues to be bandied about during this election year, the ever-mounting farm problem is certain to be one of the hottest. With more of most everything predicted for 1960, the "biggest year yet" will also entertain another record in accumulated commodity surpluses with holdings of the Commodity Credit Corp certain to spill over the $10 billion mark.

Mountains of virtually every storable crop are stashed away in warehouses, silos, make-shift shelters and even mothballed Liberty Ships. Look for instance at the bales of cotton being piled up in the Public Commodity Warehouse in New Orleans (upper left). As of October 31 (last report) the CCC—and the taxpayers—owned a total of 8,570,000 bales, almost equal to this year's expected domestic consumption. Or view at lower left the shelled (edible) peanuts in cold storage at the Gorman (Texas) Peanut Company. The Government holds 80,300,000 pounds.

Then there is the new 120,000-bushel Midwest grain elevator at the upper right. Construction of this and many similar privately owned facilities came mainly because of the Government's overflowing need for more commercial grain storage—the October inventory already showed more than 1.1 billion bushels of Government-owned wheat, more than this year's expected domestic use and exports combined.

The corn at the lower right has just been harvested at the Utica, Neb farm of Alfred Kosisek. The open-air, wire-mesh bin provides only temporary storage for the unshelled corn and much of this crop will find its way to feed or market. But at least 600,000,000 of the 4 billion bushels of corn harvested last Fall are expected to end up in "the loan," adding to the existing CCC stocks of 1 ¼ billion bushels.

These are but samples. Among the dozens of other surpluses on CCC hands as of October 31 were 7,300,000 cwt of

rice, 25,600,000 bushels of oats and 42,800,000 pounds of cheese.

In dollars the CCC-owned hoard was worth $7.8 billion. In addition there were $1.5 billion loans outstanding, most of which will not be redeemed. This brings the total invested by Uncle Sam in his price support programs to $9¼ billion (it probably rose to $9½ by year end).

But the big point and shocking paradox is while surplus holdings are at an alltime high and are headed higher, the Government's index of prices received by farmers is at a 19-year low. Net realized farm income for 1959 is estimated to be a thin $11.2 billion, lowest since 1942 except for 1957's $11 billion. And 1960 is apt to be slightly lower. Thus is reversed the short-lived uptick of 1958 when earnings of farmers recovered to a six-year high of $13.1 billion. In the first nine months of 1959, farmers lost $500,000,000 in Government income from less soil banking and another $500,000,000 on livestock products.

Promising answers to the dilemma are scarce at best and a solution which would suit everyone is non-existent. Secretary Benson would prefer supports based on the last three years' market price rather than "parity." Such a yardstick (with a floor of 65% of parity put in by Congress) now determines corn supports but has not proved much of a remedy for the basic problem: over-production which causes lower open market prices, thus tempts farmers to produce primarily for the artificial Government market.

And the problems do not stop with pumping billions into price supports which are still unable to stem the farm income downturn. More & more funds are required simply to maintain the unneeded and unwanted surplus larder. Secretary Benson places the present cost to the taxpayers of just storage, interest and handling at half a billion a year—or $1,250,000 every 24 hours.

TRANSPORTATION

C&O Flash Figures

IT IS COMMON for banks to place their annual figures before the public a few days after the year ends. It is most uncommon in other kinds of business. Yet each year for the past four the Chesapeake & Ohio Railway has delivered a "flash annual report" to stockholders by the fourth day of the New Year.

The staccato tidings from chairman Cyrus Eaton (IR, October 28) and president Walter Tuohy are these: total operating revenues down a trifle to $348,000,000 from $356,000,000 in 1958; net income off somewhat more to $46,000,000 or $5.60 a common share from $52,000,000 or $6.36 a share—the steel strike took its toll.

The headmen described the year succinctly: "The brisk pick-up in C&O traffic which began late in 1958 was reflected in an excellent first half. Even when the steel strike came at mid-year, C&O's revenues and earnings held up well. For the full year transportation revenues surpassed those for 1958 except for export coal. As 1959 closed, C&O's trend in revenues and earnings was again upward."

Details: 1) revenues from merchandise traffic rose $10,000,000 from 1958; 2) coal traffic fell $15,000,000 as the decline in export coal more than offset a rise in domestic shipments; 3) piggyback progressed and Railvan, a special C&O freight-carrying trailer for rails or highway, went into daily test service in Michigan; 4) C&O ended the year with $61,000,000 working capital, highest in its history and a $17,000,000 gain in two years.

Prospects for the New Year: "Uninterrupted industrial activity would mean greater C&O revenues and earnings in 1960. Working capital and financial position would exceed present record levels. Dividend continuity is assured."

Rejoicing as the steel strike ended, investors pushed the price of C&O common up two points to 69. But with dividends maintained at $4 a year, this still left the yield at a handsome 5.8%.

Spector on the Highway

THE HIGHLY competitive trucking industry has been one of the fastest growing in the postwar period, at least so far as revenues are concerned. Most truckers are family or at least closely held concerns although a growing number of companies such as Associated Transport, Pacific Intermountain Express and Cooper-Jarrett now have publicly traded stock.

One company which "went public" in the past year with a 200,000-share offering last May is Spector Freight System, Inc. A middling (for a trucker), $23,000,000-assets outfit garaged in Chicago, it operates in the busy Atlantic and Midwest areas. However control remains firmly with the management group which still holds about 65% of Spector stock.

In last year's sale 140,000 shares represented new financing which brought the total outstanding to 966,000 shares, now equally divided between class A and class B. The

Huge Spector containers spell economy loads

only difference is the class B (all closely held) receives only one-third the dividends paid on A shares (currently 17¢ a quarter). Up to 85,000 B shares may be converted each half year into an equal amount of A stock. The arrangement, not infrequent among smaller companies seeking outside stockholders, aims to offer a more attractive return to the newcomers without the immediate cash drain of a big overall dividend hike. Offered at 11⅛, the A stock trades over-the-counter around 17.

Spector began in 1932 when cofounder Ben Spector, a St Louis freight forwarder, contracted to haul a load of walnuts from St Louis to New York. This became the first through motor freight shipment from the Midwest to the East and Spector still has the same St Louis account with a regular shipment of nuts. Today Spector boasts long distance service for everything from a statue of George Washington (a gift from Boston to San Francisco) to mobile boilers (for a rush job at the St Lawrence Seaway locks), including such staples as meat, clothing, chemicals, auto parts. This adds up to more than 1,000,000 tons of freight a year, about half in truckload (TL) shipments, half in less-than-truckload (LTL) lots.

Spector's greatest growth has come in the postwar period and particularly in the past decade during which revenues expanded almost five-fold. Much is due to an active acquisition program which in the past five years has trucked five companies to the Spector terminal. These have given Spector a network of 11,500 miles of authorized routes which extend from Boston and New York as far west as Wichita. Transcontinental service is provided through connections with Pacific Intermountain Express at Chicago and St Louis.

If it gets the green light from the ICC, Spector will annex the fleets of two more carriers by the end of this year. They are Great American Transport Inc which serves Detroit and lower Michigan and Steffke Freight Company with routes in Wisconsin, Minnesota, Iowa, Illinois and Indiana. Spector now operates both under temporary ICC authority

and 42-year-old president Wilfrid Stanhaus reports: "We expect to get the Steffke merger through by mid-year. They were bankrupt and there was no objection. Great American may take another six months since other competitive carriers have filed exceptions." The Great American acquisition would add 2,875 A and 25,875 B shares to the Spector capitalization. Steffke will be bought for $450,000 cash.

Solidification Year. Until they come through however Spector plans no further acquisitions—"1960 will be a year of solidification." But not to be left out in the growth race, Spector has launched a $20,000,000, four-year expansion, "the largest single program ever undertaken by a trucking company."

Of this $12,500,000 will go "to build new or expand existing facilities in 18 Midwest and Eastern cities," including new central terminal garage and service facilities at Cleveland, Ripley, NY, and Somerset, Pa, points directly adjacent to the heavily traveled Ohio, New York and Pennsylvania turnpikes. Since these will mostly be sale-leaseback, "Stan" Stanhaus expects to complete this part of the program through institutional financing.

The remaining $7,500,000, to be financed through bank loans, will go for new equipment to modernize both its own and the Steffke and Great American fleets. At present Spector carries $8,220,000 in long-term debt.

One item on the expansion agenda: 422 containers and 211 tandem-axle assemblies on which to mount them. Spector was a pioneer in containerization, an economy spurred by increased loading costs for longer and higher trailers. It figures its new equipment will make it the biggest truck container operator.

Also on order are 38 heavy duty tractors to haul double bottoms. Double bottoms are two full-sized trailers pulled by a single power unit. They have already been approved for travel on the New York Thruway and Massachusetts Turnpike (but must be uncoupled before leaving the pikes for regular highways) and Spector expects "other turnpikes may soon permit double-bottom operations."

Containerization and double bottoms are but two of the ways Spector hopes to meet and cope with the problems of increasing competition and rising costs which have become ever more painful headaches to all truckers—especially now the railroads are cutting their rates so drastically in a desperate effort to woo back some of their lost freight.

But despite these problems Stan Stanhaus sees a smooth road ahead for Spector. An accountant who came to Spector in 1940, he estimates his company scored record 1959 revenues of $49,250,000 for a healthy 13% gain over 1958 while earnings reached a peak of perhaps $1.75 a common share (A & B combined) from an adjusted $1.49 in 1958. President Stanhaus expects a further 15% increase in Spector volume for 1960 and "earnings of $2.25 a share. In fact by the end of the year we should be operating at a $2.50-to-2.60 rate."

Republic Aviation Declares War on Costs

Maker of F-105 Holds Seminar for Subcontractors; Cites $25,000,000 Cost Cut

NO REGULAR READER of business news needs to be told defense contracts for US companies can materialize with the blast-off of a Sputnik and vanish in the first wave of an economy drive. One way to withstand these shocks, hopes Republic Aviation Corp, is to conduct an economy drive of your own.

The F-105 "Thunderchief" fighter-bomber made by Republic is one of the Air Force's showiest pieces of manned aircraft—and since the cancellation of North American's F-108 it may well be the last manned fighter ordered by the Air Force. Capable of Mach 2 speeds (1,400 mph), the one-man F-105 can carry bombs, rockets or missiles, all with atomic punch. It has one of the most elaborate electronic perception systems ever to be assembled under one fuselage.

Republic wants to assure no belt-tightening moves will squeeze off production of the plane; moreover, it wants to make it more profitable for both itself and its subcontractors. The company has therefore instituted a thorough cost-cutting program including 1) its own activities; 2) its subcontractors and their subsubcontractors and 3) yet harder to control, companies supplying the Air Force with items which are in turn shipped to Republic for installation in the plane. The cost-cutting program for the 830-company "team" headed by Republic has required the cooperation of more than 40,000 people.

The program began nine months ago, has resulted in a savings to date of $25,000,000. Put another way, Republic and the companies making parts for the F-105 have reached two-thirds of their goal of knocking 30% off the roughly $3,000,000 cost of each plane.

Prize performer in the F-105 "team" of subcontractors is General Electric, which makes the complicated "Thunderstick," a package of computer, radar and flight control systems. Using the approach to cost cutting called value analysis which it pioneered a decade ago, GE lopped 30.1% or $2,700,000 off the total cost of the systems ordered, became the first subcontractor to achieve the goal set by Republic. Other stars: Cessna (maker of rudders, stabilizers & fins) 16.2%; North American (radar) 8%.

To show off the cost-cutting exploits of Republic's program and of GE's accomplishments and to point the subcontractors on their way to achieving the full 30% reduction, Republic recently held an all-day seminar titled "F-105D Day" (in honor of the "D" or all-weather model of the F-105). It was attended by 250 executives of 93 subcontractors. In a hangar on the Republic factory grounds at Farmingdale, LI the visitors heard a succession of speeches ranging from progress reports to pep talks and a lively discourse on the theory of cost cutting.

The subcontractors were told their

products account for about 60% of the fly-away cost of the F-105D. Tallying the cost-cutting drive for this portion of the plane, Republic materials director E I "Jack" Little, ticked off these savings:

- Subcontractors providing equipment to Republic's specifications achieved a reduction of 15.5% of costs or close to $2,500,000.
- Airplane equipment designed by other companies was cut 12.9% or $3,500,000.
- Electronic equipment was cut 21.5% or over $3,000,000, thanks especially to GE's efforts.
- Largest of all, Government-furnished equipment — that which is purchased by the Government and installed by Republic — was cut 21.9% or $16,500,000. Prize example in this group was the change made in the computer included in the navigating apparatus used by the plane. Laboratory for Electronics (of Boston) succeeded in reducing the number of parts from 10,000 to 3,000, the weight from 60 pounds to 20 and the cost from $60,000 each to $20,000. What is more, says Republic, the reliability has been increased tenfold.

There was no one sensational way in which Republic's suppliers were able to make most of their cost cuts. Instead it was the accumulation of a vast variety of small cuts, spurred by Republic's far-reaching drive to encompass companies not ordinarily considered accessible to the main contractor.

The theory and practice of value analysis was detailed by GE engineer L D "Larry" Miles, who worked out this cost-cutting approach. Using audience participation (including a "Price is Right" sort of guessing game) and other dramatics, he riveted home his main point: consider the value of a part's function, not what it costs to make it; then find something which does the same job, but costs less. Chances are it will be simpler and more reliable.

A classic example from engineer Miles' experience: why use a $520 tank to carry 200 gallons of gas in a landing craft when four 50-gallon drums, specially coated, are able to do the job as well and only cost $60 each?

With the F-105 the principle was the same but the approach much more painstaking. Each of the 18 major subassemblies which GE provides for Republic was subjected to meticulous review. Studies of the gyroscope design in the flight control system, for instance, indicated a one-piece frame would cost less than a two-piece, was more reliable besides. Or, a deceptively simple example, an eight-operation paint job on an emergency disconnect handle could be replaced by decals.

Though overall dollars and cents figures are not available, Republic claims it has effectively practiced its own preaching and has made significant inroads against the 108,000 manhours it took originally to turn out the plane. In the nose splice structure area, for instance, manhours have been reduced to 1,890 hours a plane from 3,815. In tooling, some 4,000 hours a plane have been shaved from the job. Computer-type mechanisms now operate the huge

machines which mill heavy metal plates to greatly cut both time and expense.

Incentive Pangs. Republic's incentive to cut costs is strong and deeply ingrained for it has known intimately the pangs of contract cancellations and cutbacks. A reduction of F-84 production helped cause a severe earnings decline in 1956; then 1957 was hurt when F-84 deliveries ended altogether. Moreover, the F-105E (two-seater) version of its current supersonic jet fighter was cancelled but orders were converted to the "D".

Because of uncertainties such as these, Republic has experienced a steady drop in sales from peak year 1955's $547,400,000 to $218,500,000 in 1958, expects sales a shade above that for 1959. Earnings in 1959 are expected to total "somewhat over $2 a share" according to president Mundy I Peale. This compares with $5,120,000 or $3.48 a share in 1958 and a whopping $10.02 in record 1955. The stock, which hit a high of 43½ in early 1956 and toppled to 13 in 1957, now trades around 22.

The company's half-billion backlog is healthier than the $408,000,000 of a year ago and production of the F-105D is set at least through 1962. There have been well-circulated rumors of another F-105 order from the Tactical Air Command but Republic naturally has been keeping mum on this point. Impact of the F-105 production should be especially strong this year and next, with 1961 "the most promising," says president Peale.

F-105D on final assembly line

Not all of Republic's eggs are in the F-105 basket. The company is working under a $30,000,000 contract to produce the Swallow missile, a drone used for surveillance by the Army Signal Corps. Also the company has US marketing rights to the French Alouette II, sold 15 of these small jet - powered helicopters in 1959.

Republic spent $6,000,000 in 1959 alone on its new research & development center and about $12,000,000 is budgeted for this purpose in 1960. Problems being explored there include plasma propulsion for space vehicles and studies related to establishment of a manned observation post on the Moon.

Nevertheless, the F-105D looms largest in Republic's picture and the cost-cutting theme of the seminar with its "Go thou and do likewise" message is integral to the company's success.

Fireman's Fund Seeks Inflation Insurance

Insurer Underwrites Cycles And Competition With Prudent Operator Policy

AS president James F Crafts of $540,000,000 - assets Fireman's Fund Insurance Company puts it, "these days almost nothing can go on without an insurance contract being involved—whether you build a home, borrow money, take a trip, or engage in any kind of business." Accordingly insurers would seem to be in a premium position to enjoy the general growth of the economy. However because of the basis on which its business is rated—past experience—the fire and casualty insurance industry has instead been hurt rather than helped by the postwar upsurge during which inflation pressures have sent claims costs climbing faster than rates.

Insurance executive Crafts explains it this way: "Our problem is to keep pace with inflation. Past experience determines rate levels; as the price of everything goes up, insurance rates lag behind, still based on previous price levels. Our business suffers from inflation as no other business in the country."

He details: "After the previous year's experience is analyzed it takes at least three-to-six months before we can get a rate increase, if it is required. By the time the new rates go into effect they may already be inadequate due to the time which has elapsed in obtaining them. For example the claim for a broken arm which could have been settled for $350 a year and a half ago now has to be settled for $400, so you're still behind because the increased cost of the claim is not reflected in the rate hike."

This inflationary pattern has kept Fireman's Fund and other fire & casualty companies running at a thin or non-existent profit as far as insurance underwriting results are concerned. Since the end of War II the industry has been hit by three cycles of underwriting losses in the automobile field: the first in the early postwar years, the second in the Korean era, the third and most severe in the inflation and accident prone last few years.

On top of this, fire experience, which often runs counter to auto cycles, also went into the red in the latter Fifties for a double-barrelled loss assault. In the last few years black figures on financial statements have come mostly as the result of investment income plus the customary analytical adjustment of including an allowance for the stockholder equity in the growth of unearned premium reserves.

For instance in 1958 Fireman's Fund wrote a record $230,500,000 in premiums compared to $215,700,000 in 1957. However heavy claims plus high expenses produced a net underwriting deficit of $7,520,000. Investment income of $12,400,000 and inclusion of $4,530,000 (35%) from the increase in new unearned premium reserves turned this into a consolidated profit of $2.52 a share *v* 15¢ in 1957 (both figures adjusted for the 25% stock

dividend declared late last year).

However insurance man Crafts protests strongly: "It's disastrous psychology for us when people in our business get to talk about being happy with less loss than the year before. We should be making 3-to-5% a year on our insurance business and then add on our investment income. Our enterprise is basically the insurance business. Investments should be subordinate unless we close up shop and start operating as an investment trust. We're here because of insurance; without it, there wouldn't be premiums or money to invest."

Cyclical Climb. By the end of 1959 the insurance end of Fireman's Fund business was approaching results more to president Crafts' liking, although still far from the 3-to-5% profit mark. In the first nine months the statutory underwriting loss narrowed to $4,350,000 from $8,174,000 in the previous year. On a "trade basis" (the term commonly used in evaluating insurance companies which means relating expenses to premiums written rather than to premiums earned as is done in figuring "statutory" results for State insurance commissioners) the comparable figures were a nine-month underwriting profit of $2,124,000 as compared to a comparable trade loss of $3,515,000 for the first three quarters of 1958 and a trade loss of $2,393,000 for the entire 1958 year.

By the end of September the trade loss & expense ratio (sum of the ratios of: 1) losses incurred to premiums earned and 2) expenses incurred to premiums written) was 98.8%—or a 1.2% trade underwriting profit. This compares with ratios of 102.2% (ie, a 2.2% deficit) in the first nine months of 1958 and 101.1% for all of 1958.

As there is usually an underwriting improvement in the latter part of the year, Fireman's Fund may possibly break even in underwriting for the full year on a statutory basis. And on the more liberal trade basis executive vice president Fred H Merrill figures: "If we showed the same progress as we did in 1958 we should have finished 1959 with a trade ratio down around 97%." An expected 10% increase in investment income should bring consolidated 1959 earnings to about $5 a share (adjusted for the stock dividend). And executive vp Merrill declares: "We'll be in the black on a statutory basis in 1960."

Specifically, on the basis of interim ratios (year end results were not yet available at presstime), the only real trouble spots were marine and fire insurance. As of the end of September the red-rutted auto business (27% of premiums) was close to showing a trade profit with a ratio of 100.9%; bond & burglary (7% of business) was running at a highly profitable 88.4% while casualty (18%) was at 94.8%. On the other hand inland marine (9%)—it also covers such things as transportation and jewelry insurance—was still in the red at 101.1% while fire and extended coverage (24%) carried a loss-producing 103.1%.

Comments vice president Merrill: "The fire business was the worst part

of our business last year — not straight fire but storm damage and the like which comes under extended coverage protection. It used to be hard to get rate increases in auto lines but now people are aware of that problem; it's harder to get fire rate increases. And when we do get them, they take longer to show up. Most fire contracts run three-to-five years while most auto contracts are renewed every year."

However in new contracts Fireman's Fund and other insurers are now able to incorporate loss lessenders such as clauses exempting subsidence damages from tract development insurance or providing for deduction of the first $50 or $100 from storm damage claims. Had deductible clauses been in effect during the hurricanes of 1954-55 along the East Coast for instance, it would have greatly reduced Fireman's Fund loss and settlement expenses; the storms resulted in some 44,000 separate claims averaging $120 apiece and it cost the company an average $25 in expenses to process and pay the $120. In addition term credits for buying fire insurance in three-to-five year multiples have been reduced in many states.

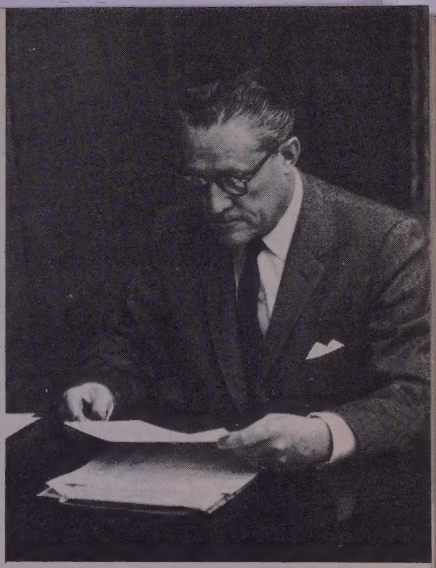
Prudent Policy. Notwithstanding the general underwriting improvement Fred Merrill carefully insists: "As long as the wage-price spiral is upward, we'll always have to fight like mad to make an underwriting profit." But in the face of this prediction president Crafts offers stoutly: "There is one way we can get ahead and keep ahead in this game. All rates are based on the averages of all companies. A prudent operator can better the average. That's where the area of opportunity lies—bring expenses down and scrutinize business carefully to get good risks."

In line with its "good risk" policies, Fireman's Fund has recently been insisting on better business by demanding across-the-board representation from good agencies. In short when the Fund takes care of an agent's auto customers it also wants a fair share of the business the agent writes in more lucrative lines. As vice president Merrill states: "If we're going to lose on the oranges they send us we want to make it up on the pineapples." The Fund also emphasizes the importance of bringing in good risks rather than mere volume—"selling insurance is not just ringing doorbells"—and may drop those agents who consistently write bad business.

Fireman's Fund does business with a total of 25,000 agents and brokers in the US and Canada. One-third of the $194,000,000 net premiums written during the first nine months of 1959 came from the Pacific region. The Southwest area provided another 9%. The rest is more widely scattered with over 25% in the East, 17% in the Midwest and 10% in the South.

The eleventh-largest stock casualty & fire insurance company nationally, the Fund ranks first among Western-based insurers. Now in its 97th year, the native Californian is headed by three top executives who heeded the westward call of the Golden Gate. Jersey-born 60-year-old president

Crafts spent his entire working career in insurance, came to the Fund in 1930; Utah-born 52-year-old executive vice president Merrill, who is in charge of internal operations and investments, brought a wide background in banking and investment management to the Fund in 1944; 44-year-old underwriting expert Louis William Niggeman, a native New Yorker, began working for the Fund's New York office in 1946 after insurance brokerage experience and a stint with the War Shipping Administration, moved West seven years later. He is now executive vice president in charge of all underwriting production and claims activities.

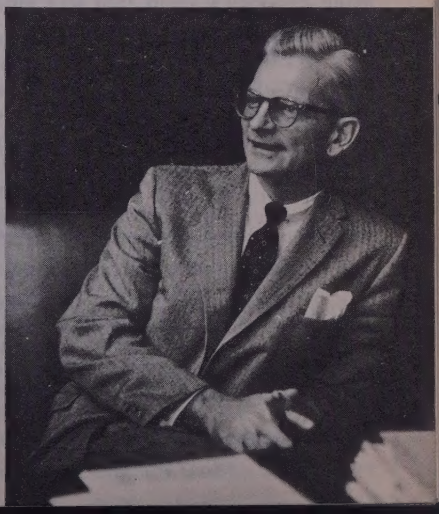


Expense watcher Merrill

Computer Competition. Western orientation and all, only about 900 of the Fund's 5,800 employes are actually located at the company's commanding modern two-year-old headquarters (see cover) in the Laurel Heights section of San Francisco. There is however a homebase concentration of machine talent, particularly an IBM 705 electronic data processing system which according to vice president ("in charge of the expense ratio") Merrill is destined to "ultimately centralize a great many of the statistical and accounting processes. Within two years it should result in substantial savings as much of our operations are placed on the 705."

The electronic data processing brain also enables Fireman's Fund to meet still another increasingly troublesome problem — competition from firms which write auto insurance policies directly instead of through agents, giving cheaper if less specially tailored insurance coverage to the customer. Fred Merrill notes the traditional "Bureau" companies (which belong to the two general rate-making bureaus, one for capital stock companies, the other for the mutuals) wrote 95% of the

Underwriting expert Niggeman



$750,000,000 business in auto premiums in 1940; in 1958 they wrote 65% of the $5.3 billion auto premiums with direct writing insurers (like Sears-owned Allstate, Nationwide, Farmers' State Mutual) doing the rest.

To meet the automobile insurance competition of the direct writer, Fireman's Fund now offers an "Economy Plus" plan with the policy and premiums written by the computer and all billing done automatically each period by the machine. This relieves the agent of most of the work (and in return, some of his commission) and enables the company to give a lower cost to the customer. President Crafts judges the venture "very profitable."

Another new Fund insurance form: the Fund 65/Plan which extends health & accident coverage to people over 65. Introduced a year ago, experience on this type of policy has been "good."

In the future continued competition from the direct writers may bring Fireman's Fund into still another field of insurance: life policies. Thus it would be able to offer, as some insurers are now doing, one "cradle to the grave policy." However the company wants to accomplish this by a good-size merger, not by acquiring a small life outfit or starting from scratch as others have done.

But for this type of deal, president Crafts figures, the timing is inauspicious. "I'm studying the life insurance business as though I were going to school. There aren't too many to marry and I couldn't recommend any now. Fire & casualty stocks are at a low ebb and life insurance stocks are high. I'd say within five years the differences will be more realistic."

The Fund's own 3,750,000 shares trade over-the-counter close to an adjusted three-year high of 52, up some 60% since early 1958 but about ten points short of matching the alltime high of 1955. The company has just handed out a 25% stock dividend and the 45¢ quarterly rate paid since 1954 is being maintained on the increased number of shares outsanding.

In any case, the insurance business is looking up and Jim Crafts terms the future of the fire & casualty industry "very good, terrific." He concludes: "Experience indicates we have cycles; the last downswing happened to last longer than usual. Now we're coming up. I wish I could be as sure of a lot of things as I am of the fact that if we can just arrest inflation, all our troubles would be over."

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BROOKS BEAT

In no time at all this pretty gal can switch from sports slacks to a trim date ensemble—thanks to the coordinated efforts of Bobbie Brooks Inc. This 21-year-old Clevelander concentrates its young ideas on medium-priced play-clothes, suits and coordinated ensembles for teenagers and young women. The $8,000,000-assets company turns out half its clothes in eight plants in Ohio, Pennsylvania and Arkansas. The remaining 50% is produced by 35 contractors with Bobbie Brooks supplying materials, patterns and supervision. This set-up provides built-in flexibility for meeting seasonal selling peaks. Among its seasonal variations the company notes sales in the May-to-October half when it specializes in woolens are usually higher than in the November-to-April period when it works on light spring & summer wear.

Bustling Bobbie first offered 250,000 common shares last February at 11½. The following month the stock was listed on the Amex as BBK where it had zipped to 36 last week. But with founder-president Maurice Saltzman and his wife continuing to hold 59% of the 609,000-share capitalization, public supply of the stock of course remains very limited.

Bobbie Brooks also displays some fetching financial figures. In the year ended last April 30 sales rose 12% to a record $25,000,000 while earnings reached $1,028,000 or $1.69 a share v $1.03 the previous year. President Saltzman expects sales for the year ending this April "should total $33-to-35,000,000 or as much as 40% over last year." To aid its sales capacity, the company has designed four major plant and distribution additions: a 20,000-square foot plant at Lepanto, Ark put into operation last Summer; a new plant at Lock Haven, Pa to be ready this month; a 22,000-square foot addition now abuilding at Bellaire, Ohio; and a new expanded Cleveland distribution center which is nearing completion.

POINT OF VIEW

According to Mark Twain, "It is difference of opinion that makes horse races." It is difference of opinion that makes the stock market, too.

On an average business day, two or three million shares of stock are likely to change hands on the New York Stock Exchange alone. That means that two or three million shares are sold by people who don't want to own them any more and bought by other people who do want to own them now. Since eventually all stocks show either an increase or a decrease in price, you might think that half those people are necessarily wrong about the stock they are buying or selling.

It may seem so on the face of it, but the facts are otherwise. A shareowner may have other reasons for wanting to sell besides the obvious reason of thinking, rightly or wrongly, that his stock has gone about as high as it's going to go. He may need the cash. He may have found another investment that he thinks will be better for him. He may have discovered some tax advantage in selling. And so forth. And a buyer's reasons for buying may be just as numerous and as good as the seller's reasons for selling.

In short, it's all a matter of point of view—rather like the old story of the eight-ounce glass containing four ounces of liquid. Is the glass half full or half empty?

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